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May 20th, 2008

Dr. Howard Cohen
Superintendent
Waterford Unified School District
219 N. Reinway Avenue, Bldg 2
Waterford, Ca 95386

Re: Steel Surcharge & Engine Price Increase

Dear Dr. Cohen:

Bluebird has announced a steel surcharge on all new bus orders received after April 21st, 2008. I have enclosed a copy of their letter along with the specific bus type surcharge. This information needs to be added to the 2008 Waterford bid extension.

Bluebird has also announced a price increase for Caterpillar and Cummins engines on all new orders after June 1, 2008. I have enclosed a copy of their letter specifying these increases. This information needs to be added to the 2008 Waterford bid extension.

This pricing will affect the base bid price along with any Caterpillar or Cummins engine option pricing.

Best regards,

John Roselli
New School Bus Sales Manager
A-Z Bus Sales
951-781-1804

Accepted:

Date: 6/16/08

Dr. Howard Cohen
Superintendent
Waterford Unified School District



BLUE BIRD

April 11, 2008

**DEALER MEMO
NO. 08-25**

TO: North American School Bus Dealers
FROM: Roger Howsmon
SUBJECT: **STEEL SURCHARGE**

During the past three months we have experienced a 32% increase in steel prices from our suppliers. To maintain a continuous flow of material and subsequently fulfill the commitment to on-time deliveries, we have been forced to accept this fluctuation. On a macro scale these types of increases are being seen in every segment of the economy and clearly attributable to a weak dollar and higher fuel costs.

As your business partner we have been absorbing these increases, and will continue to absorb a substantial amount of the additional increases that are expected over the coming months. However, the conclusion is we must pass on a portion of the cost to the market place in the form of a steel surcharge.

Effective with any new order received April 21, 2008 and later, or any new order received with a promise date of July 14, 2008 or later, a steel surcharge will be required on every order. All orders in the backlog and the limited number of production slots prior to July 14, 2008 will be price protected. To better understand the impact of the surcharge, see the enclosed list for product type and model.

This is an unfortunate circumstance, but something we are successfully managing through with as little an impact on market pricing as possible.

Roger Howsmon

Blue-Bird Corporation
RAW STEEL EXPOSURE
Q3 Surcharge Calculation

Vehicle		Surcharge	
<u>PL</u>	<u>BT</u>	<u>Price</u>	
		\$/Unit	
Micro-Bird		\$	102
BBCV	2311	\$	463
BBCV	2508		478
BBCV	2610		489
BBCV	2807		504
BBCV	3011		525
BBCV	3201		536
BBCV	3303		546
BBCV	3310		551
A3FE	2803	\$	532
A3FE	3007		553
A3FE	3306		579
A3FE	3408		590
A3FE	3503		595
A3FE	3700		611
A3FE	3809		626
A3FE	3904		632
A3RE	3204	\$	609
A3RE	3408		630
A3RE	3700		651
A3RE	3904		672



BLUE BIRD

May 19, 2008

Dealer Memo
No. 08-36

MEMO TO: All Blue Bird Dealers

FROM: Bill Danner

SUBJECT: **Caterpillar and Cummins Engine Pricing**

The purpose of this memorandum is to announce a pending price increase for Caterpillar and Cummins engines used in Type C and D school and activity bus products. The pricing action is effective with new quotes and orders on June 1, 2008.

This action is required to address the recent and very significant price increases implemented by both Caterpillar and Cummins. Both firms cite increases in raw material costs including a 50% rise in steel prices since the beginning of 2008 as well as continued escalation in costs for the precious metals used in the DPF Muffler. The price increase announced by both manufacturers is different and they are detailed below:

Key points to note about the engine price increase are listed below:

Cummins:

1. The price increase will become effective with all orders and quotes placed on or after June 1, 2008.
 - All firm orders and validated quotes in-house on or before midnight May 31, 2008 will be price protected
 - All validated quotes with a promise date prior to midnight November 30, 2008 will be price protected
2. Price increase will be applied as follows:
 - Increase will average \$656/engine
3. On or after June 1, 2008, orders cancelled and subsequently replaced with another order will be priced at the new price.

Caterpillar:

1. The price increase will become effective with all orders and quotes placed on or after June 1, 2008 for units with promise dates of September 1, 2008 or later.
 - Orders for units promised for delivery on September 1, 2008 or later will be affected by the price increase
2. Current orders and validated quotes promised for delivery by midnight August 31, 2008 will be price protected.
3. Price increase will be applied as follows:
 - Increase will average \$510/engine
4. Orders cancelled and subsequently replaced on or after June 1, 2008 with another order will be priced at the new price.

If you have any questions, please contact your regional sales manager.

Bill Danner

Bill Danner
Director, Dealer Sales
Blue Bird Corporation